

**CALIFORNIA ENERGY COMMISSION**

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512

**STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION**

Implementation of Restructuring	)	Docket No. 98-REN-CCS
Legislation (Public Utilities Code	)	NOTICE OF STAFF WORKSHOP
Sections 381, 383.5 and 445	)	RE: Review of the Customer Credit
[AB1890, SB 90]): Renewables	)	Subaccount

**NOTICE OF STAFF WORKSHOP  
AND OPPORTUNITY FOR COMMENTS**

The staff of the Renewable Energy Program will hold a workshop to solicit comments on various issues concerning the Customer Credit Subaccount. The staff is seeking public input on issues that could result in substantive changes to the implementation of the Customer Credit Subaccount.

The workshop will be held in the afternoon following a workshop for the Power Source Disclosure Program and will be held at the Energy Commission at the date and time listed below. Although the event will be a staff workshop, Commissioners may attend.

**FRIDAY JULY 14, 2000**

Beginning at 1:00 p.m.

CALIFORNIA ENERGY COMMISSION

Hearing Room A

1516 Ninth Street

Sacramento, California

(Wheelchair Accessible)

## **Attachment**

An attachment describes the three topics that will be addressed at the workshop and poses questions to the public for comment. In brief, the topics are as follows:

1. The use of “tradeable tickets” so that the environmental or fuel type attributes of renewable electricity is traded separately from the commodity electricity.
2. The staff’s proposal for defining the allowable timing difference between when electricity is generated and when it may be reported to the Commission in a Monthly Performance Report.
3. The draft annual reporting requirements and the draft verification protocol.

## Comments

The program staff invites interested parties to submit written and oral comments at the workshop on the topics described in the attachment and particularly in response to the questions in the attachment. The comments received at this workshop will assist the staff in making recommendations to the Energy Commission's Electricity and Natural Gas Committee on the topics of discussion.

Interested parties are encouraged to submit written comments at or before the workshop, but may submit written comments to the Docket Office up until the third business day following the workshop. Written comments must be received **no later than 5:00 p.m., July 19, 2000**. Parties submitting written comments must provide 12 copies to the Energy Commission's Docket Unit. Those participating in the workshop are requested to bring an additional 20 copies for the staff and other workshop participants. Parties are also encouraged to send an electronic copy of written comments to <docket@energy.state.ca.us>.

Written materials submitted at the workshop will be filed with the Docket Unit and will become part of the public record. Please send or deliver the written materials to:

California Energy Commission  
**Re: Docket No. 98-REN-CCS**  
Docket Unit, MS-4  
1516 Ninth Street  
Sacramento, CA 95814-5504

Written materials as well as e-mailed documents must include the Docket Number for this proceeding, i.e., Docket No. 98-REN-CCS, on the cover page.

## Assistance

Members of the public who need information on how to participate in this proceeding may call the Energy Commission's Public Adviser, Roberta Mendonca, at (916) 654-4489, toll free at (800) 822-6228 or by e-mail: <pao@energy.state.ca.us>. The Public Adviser provides assistance to the public regarding Energy Commission procedures and participation in Energy Commission activities. If you have a disability and require reasonable accommodation to participate at the workshop, please contact Robert Sifuentes at least five days before the workshop at (916) 654-5004 or <rsifuent@energy.state.ca.us>. Members of the public who have technical questions regarding the subject matter of this notice may contact Heather Raitt either by phone at (916) 654-4735 or by e-mail at <hrait@energy.state.ca.us>.

News media inquiries should be directed to Assistant Executive Director Claudia Chandler at (916) 654-4989.

Dated:

Mass Mail Lists: Master63/Customer Credit

# **Attachment to Notice for July 14, 2000 Workshop**

This attachment gives information on three topics concerning the implementation of the Customer Credit Subaccount that will be discussed at the July 14, 2000 workshop. For each topic, there is a description of the background and a list of questions to focus public comment.

## **Topic 1: Renewable Energy Represented by Tradeable Tickets in the Customer Credit Subaccount**

### **Background**

The fuel type and program eligibility attributes of a specific generation source may be sold along with the energy from that source or separated into the commodity energy and a “ticket” or “certificate” that reflects the fuel type and/or eligibility attributes qualifying it for funding from the Customer Credit Subaccount. Such ‘certificates’ may be part of the Commission’s pilot “Genreport Certificate” program or may be created by private parties as a market tool to provide flexibility in electricity market transactions involving energy attributable to a specific source. As an example, for each KWh of commodity energy generated, a corresponding ‘ticket’ would also be created. A fully “tradeable ticket” could be sold separately from the commodity energy, possibly to different parties.

Currently, the Commission only recognizes renewable energy tickets for purposes of qualifying for funding from the Customer Credit Subaccount program when such tickets are sold along with commodity energy from the same selling entity. Tickets can not be used to qualify for customer credits if the matching amount of commodity energy is purchased from a separate source. This policy reflects the current regulations implementing SB 1305, which require ‘specific purchases’ to include the sale of kWh.

Several entities have expressed interest in having the Commission allow renewable energy tickets to be sold separately from matching commodity energy and qualify for customer credits. In order to evaluate the consequences of such fully tradeable ticket use on the Customer Credit Subaccount program, the Commission staff asks that you respond to the following questions.

### **Questions for Discussion and Written Comments**

When responding to the questions, please address any market impacts of any changes to the Customer Credit Subaccount that you may propose. For example, describe how various market participants – renewable generators, registered renewable wholesalers, registered renewable providers, utilities, and customers – would be affected and why?

1. The Customer Credit Subaccount to date has been open only to customers that have filed Direct Access Service Requests (DASRs) and chosen an Electricity Service Provider (ESP) that is a registered renewable provider. Typically, this ESP supplies the customers with the

energy that makes them eligible for the Customer Credit. However, if tickets were fully tradeable, existing UDC customers could potentially purchase tickets associated with eligible energy, without leaving their default service. In addition, customers of one ESP could potentially purchase tickets associated with eligible energy from some entity other than their ESP (another ESP, a wholesaler or directly from a generator).

- A. In each of these cases (a UDC customer purchasing tickets and an ESP customer purchasing tickets from a different entity), should such transactions be eligible for the Customer Credit program? Why or why not?
  - B. If the customer purchases tickets associated with eligible energy from an entity not registered as an eligible provider, who should satisfy the reporting requirements of the program and receive the credit payments?
2. Currently, registered renewable providers are not required to also register as an electric service provider with the California Public Utilities Commission.
  - A. If different entities are allowed to serve the electricity and tickets, should entities serving tickets to residential and small commercial customers be required to register as electric service providers with the California Public Utilities Commission? If not, what additional requirements, if any, would be necessary to protect residential and small commercial customers?
  - B. Should any additional qualification requirements be created for entities that only serve tickets to non-residential, non-small commercial customers?
3. Currently, all electricity that is eligible for funding from the New Renewables Resources Account and the Existing Renewables Resources Account may also be eligible for funding from the Customer Credit Subaccount. Most of the generation that receives funding from the Existing Renewables Resources Account, however, is not eligible for Customer Credit funding because the energy is sold under contract to UDCs as opposed to in the direct access market.
  - A. Assuming that tickets are fully tradeable, should tickets associated with the energy from facilities that are eligible for funding from the New Renewables Resources Account and the Existing Renewables Resources Account be eligible for Customer Credits if the commodity energy is sold to the UDC?
  - B. What would be the market effect of allowing these tickets to be eligible for the Customer Credit program?
4. Consider the issues raised in questions 1-3, and how the use of fully tradeable tickets will affect program participation.
  - A. Will the use of fully tradeable tickets encourage more customers to participate in the Customer Credit program in both near and long-terms and why? If so, what level of increased participation might be expected?
  - B. Are additional changes or requirements needed to satisfy the intent of the program and ensure that only eligible energy qualifies for and receives customer credits, and that it is not claimed more than once?

- C. Are there other policy issues regarding fully tradeable tickets that you feel need to be raised? Do you have a proposal for implementing fully tradeable tickets? Please describe your proposal and be as specific as possible.

## **Topic 2: Staff's Proposed Modification to the Customer Credit Subaccount Regarding Timing of Generation**

The staff is proposing to clarify and modify provisions of the Customer Credit Subaccount that address restrictions on when eligible supplies of renewable electricity may be claimed for customer credits. The Customer Credit Subaccount staff is interested in ensuring that the reporting requirements regarding load and generation foster increased consumer confidence and the ongoing generation of renewable energy. Also, staff is interested in having the timing requirements correspond more closely with the requirements for the Commission's Power Source Disclosure Program (SB 1305).

### **Background**

Currently, the Guidebook for the *Renewable Energy Program, Volume 4 – Customer Credit Subaccount (Guidebook)* restricts how recently a provider may report generation, with the intent of having enough lag-time such that the staff can verify that sufficient electricity was generated to match any claims. There is no explicit requirement about how far back in time the generation may have occurred before it is reported on a Monthly Performance Report (MPR).

At a workshop held on September 23, 1999, the Customer Credit Subaccount staff proposed that load in a given calendar year must be matched by generation in the same calendar year. This proposal received support from the Automated Power Exchange in written comments. At the workshop, this topic was not extensively discussed, but some parties stated that there should be some leeway in matching load and generation at the end of the year. Ultimately, staff's proposal was not adopted.

Following the workshop, the Commission adopted changes to the *Guidebook* on November 17, 1999 that included a reduced credit level and a modified method of calculating payments. The method of calculating payments was changed such that the credit level that is applied to eligible generation is the credit level in place when energy is sold to consumers, rather than the credit level in place when supplies are reported.

To respond to concerns that matching load and generation on an annual basis may be burdensome, the Commission developed a new provision for matching load and supplies that would also minimize the administrative complexity of the program. On November 17, 1999, the Commission required that load reported during a six (or initially seven) month period at one credit level must be matched with eligible generation within one year of the end of that period. This effectively allows up to a year and a half to match load with generation. The change was silent, however, on how far back in time the electricity may have been generated.

The Customer Credit Subaccount also has a true-up provision that restricts the amount of kWh that may be banked (prior to November 17, 1999, the true-up provision restricted how many dollars may be banked). After submitting their December MPR, registered renewable providers are given 4 months (until their April MPR) to match banked credits with either eligible supplies

or customer credits passed on to their consumers. If after 4 months the ratio of banked kWh compared to total kWh reported still exceeds 5 percent, then the excess of 5 percent is cleared from the provider's banked kWh.

In contrast, the Power Source Disclosure Program requires that when a provider makes claims about specific purchases, the sales and generation must be matched each calendar year and generation from one calendar year may not be used to meet the fuel mix claims in a different year. The Power Source Disclosure program does allow annual sales by retail providers to deviate by 5 percentage points from their projected annual claims. If the deviation is in excess of 5 percentage points, then the retail provider must notify its customers about the discrepancy.

Those electric service providers that make claims about specific purchases are required to submit an annual report to the Commission summarizing their retail sales and supplies. Annual reports are due March 1, and reflect load served and matching supplies that were generated in the previous calendar year. The staff has developed draft annual reporting procedures for both the Customer Credit Subaccount and the Power Source Disclosure Program with the intent of minimizing duplicative reporting requirements.

## **Proposal**

The staff proposes that supplies of renewable electricity claimed as eligible for customer credits must be reported on an MPR of the same calendar year in which it is generated, or in January or February of the following calendar year. This change would bring the Customer Credit Subaccount requirements closer in agreement with the Power Source Disclosure Program, but requirements regarding the timing of generation would still be somewhat distinct for each program.

For MPRs dated January and February 2001, reported eligible supplies could be generated in calendar year 2000 or 2001. For the March 2001 MPR through December 2001, claims of eligible supplies must be generated in calendar year 2001.

Under this proposal, providers would be allowed to match generation from the previous calendar year to meet current year load as reported to the Customer Credit Subaccount. For example, banked generation from calendar year 2000 could be matched to load served in calendar year 2001. Also, January and February 2001 MPRs could include claims of energy generated in calendar year 2000. Such transactions, however, would not qualify in the provider's annual power content label as required by the Power Source Disclosure Program. A provider may also bank load from calendar year 2000 and match it with calendar year 2001 generation.

If providers were required to match all load with supplies from the same calendar year, or if January and February MPRs were not allowed to include generation from the previous calendar year, the staff believes that it would create a market disruption between calendar years. To illustrate, if 2000 generation could not be matched against 2001 load, then a January 2001 MPR would only be payable to the extent that it included matching energy that was generated in

January 2001. A December 2000 MPR, on the other hand, could include generation from any month in the year 2000.

The provisions for January and February MPRs are intended to allow providers flexibility in the transition between years. In any given MPR, providers would have options in regards to the month of generation they claim in their MPR. By March 2001, for example, supplies could be generated any month between January 2001 and May 2001, depending upon when the provider submits the MPR to the Commission.

Table 1 shows a comparison of the due dates of various reporting requirements of the Customer Credit Subaccount and the Power Source Disclosure Program. Note that since the February 2001 MPR can be submitted as late as June 11, 2001, a provider could continue to purchase 2000 generation until that time and receive Customer Credit Subaccount funds for it. Transactions after March 1, 2001, however, would not be captured in the Annual Retail Supplier Reports since that report is due on March 1, 2001. Further, the independent verification of the annual report is due June 1, 2001.

By allowing providers to claim energy that was generated in the previous calendar year on their current year January and February MPR, the staff intends to allow flexibility and to minimize market disruptions between calendar years, without creating undue differences in the reporting requirements of the two programs.

## **Questions for Discussion and Written Comments**

- 5) Do you support the staff's proposal for specifying the timing of generation? If you do not support it, please explain why and offer another proposal for making the Power Source Disclosure Program requirements and the Customer Credit Subaccount requirements more consistent than they are currently.
- 6) Should the Customer Credit True-up requirement be modified and if so, how?
- 7) Currently there is no provision to clear banked credits from a provider that has exited the market. If you support such a provision, how should it be implemented?



Table1: Comparison of Power Source Disclosure and Customer Credit Requirements

**Current Rules**

DATE	12-Feb-01	1-Mar-01 <sup>1</sup>	12-Mar-01	10-Apr-01	15-Apr-01	11-May-01	01-Jun-01	11-Jun-01	10-Aug-01
<b>Reports due to Commission</b>		Annual Retail Supplier Report			Annual Power Content Label <sup>4</sup>				
<b>Earliest Date to Submit MPR for the Month</b>	Dec-00 MPR		Jan-01 MPR	Feb-01 MPR			Independent Verification		
<b>Latest Date to Submit MPR for the Month</b>				Dec-00 MPR		Jan-01 MPR		Feb-01 MPR	Apr-01 MPR
<b>TRUE-UP Calculation <sup>2</sup></b>	Calculated for some providers <sup>3</sup>			Calculated for all providers					True-up satisfied or loss of excess credit.

<sup>1</sup> Any transactions past this date will not show up on the annual report. Note Dec 2000 MPR not due until April 10.

<sup>2</sup> Note, with the change in the Customer Credit payment method, our "true-up" has become more complicated to implement and more unlike the 5% allowance of the Power Source Disclosure or Green-e Program.

<sup>3</sup>Start the True-up calculation for those providers that have submitted their Dec 2000 MPR.

<sup>4</sup> Power Source Disclosure Program Requirement, only.

**NOTE:**

In some cases, providers purchase 1999 tickets and apply it to 2000 load. They can receive customer credits for this transaction, and must notify their customers, but can not include the transaction in their labels.

## **Topic 3: Annual Report to the Customer Credit Subaccount and Verification Procedures**

### **Background**

The Energy Commission staff developed a draft *Annual Report to the California Energy Commission (Annual Report)* and draft Protocol for the *Power Source Disclosure and Customer Credit Programs (Protocol)*, both dated March 2000. The draft *Annual Report* is enclosed and the *Protocol* is available from the Commission's Website at: [www.energy.ca.gov/renewables/documents](http://www.energy.ca.gov/renewables/documents). Attached are proposed changes to the *Guidebook* for the Customer Credit Subaccount titled, "Excerpt From the Customer Credit Subaccount Guidebook Showing Proposed Changes" that would incorporate the *Annual Report* and the *Protocol* into the *Guidebook*.

The Commission staff held a public workshop on January 19, 2000 to receive comments on the draft *Annual Report* and *Protocol*. Since then, several program participants have prepared the *Annual Report* and the *Protocol* and submitted them to the Commission. Now that program participants have had experience with both documents, staff would like to receive public comment on them as we move forward to finalize and adopt the documents.

### **Questions for Discussion and Written Comments**

- 8) *Schedule 2E* was created to give the Commission a mechanism to check if a non-residential or non-small commercial customer is exceeding its annual \$1,000 cap by receiving the rebate from more than one provider. Our understanding is that the customer has the same unique UDC number regardless of what provider the customer purchases energy from, and that we could then compare reports from all providers to see if any customer exceeded the \$1,000 limit by purchasing from more than one provider within the year. Do you have an alternate proposal for conducting this verification?
- 9) Are the data requirements of the *Annual Report to the California Energy Commission* reasonable? Please provide specific comments on what, if anything, you would change and describe how your changes will allow the Commission to maintain an adequate level of verification.
- 10) Are the data requirements of the *Power Source Disclosure and Customer Credit Programs* reasonable? Please provide specific comments on what, if anything, you would change and describe how your changes will allow the Commission to maintain an adequate level of verification.
- 11) Do you have specific comments on the draft changes to the *Guidebook* that would reflect the *Annual Report* and the *Protocol*?

## Excerpt From the Customer Credit Subaccount Guidebook Showing Proposed Changes

### Other Reporting Requirements

Providers receiving payments from the Customer Credit Subaccount and registered wholesalers serving providers electricity that qualifies for customer credits are required to submit additional information periodically. This is necessary to meet the Energy Commission's reporting requirements to the Legislature and to help assess the effectiveness of the program in advancing the development of a viable and economical renewable market in California. These reporting requirements also provide a tool to monitor compliance with program requirements, and are subject to random spot audits for further verification.

#### **Annual Report**

An ~~audited~~ annual report ~~will be initially~~ is due March 1 to the Commission beginning year 2001. Schedules 1, 2A, 2B, 2D and 2E of the Annual Report to the Energy Commission (Annual Report) must be submitted to the Customer Credit Subaccount and verified by a Certified Public Accountant hired by the provider or wholesaler in accordance with the agreed upon procedures described in the report titled, Final Protocol for the Power Source Disclosure and Customer Credit Program. The Annual Report requirements and the Final Protocol for the Power Source Disclosure and Customer Credit Program are available from the Energy Commission's Website. in the spring of 1999 (the exact date and electronic format shall be specified by the Energy Commission at a later date). The report must be audited and signed by an independent third party auditor ~~hired by the provider or wholesaler.~~

To monitor the annual funding cap of \$1,000 to ~~customers who are not non-~~ residential ~~and~~ non-small commercial customers, providers must submit information ~~relating to~~ the funding distributed to each ~~non-residential~~ customer ~~from the Customer Credit Subaccount that was subject to the annual funding cap. The format for submitting these data are given in Schedule 2E: Retail Sales to Customers Subject to the \$1,000 Funding Cap of the Annual Report. Unlike all other schedules in the Annual Report, Schedule 2E does not need to be verified by the Certified Public Accountant.~~ Providers must submit the following information as part of Schedule 2E for each non-residential and non small commercial customer that received payment from the Customer Credit Subaccount:

1. Listing of eligible customers by utility distribution company identification number
2. Total ~~funds paid~~ MWh served per customer, per month
- ~~3. Identification of customer class (small commercial, commercial and industrial, agriculture, and public lighting)~~
- ~~4.3. Rate schedule~~
4. The registered renewable product the customer purchased

Although providers will submit sales data for each non-residential customer and non-small commercial customer, the individual name and address is not necessary. Providers must identify each customer by the a-unique Utility Distribution Identification number assigned to that customer. throughout the entire program.

Providers are also required to submit summary information on each product identified in monthly performance reports. Providers must submit data on their energy purchases (or generation if the provider is also a supplier) as specified in Schedules 1, 2A, and 2B of the Annual Report. and on the Data on the number of KWHs sold to consumers, the number of consumers served, and the customer credits passed on to consumers is also required funds received from this program on an annual basis as specified in Schedule 2D. The independent third party auditor-Certified Public Accountant must attest-verify that the information providers report regarding payments the provider received reflect the amount of eligible generation purchased by the provider and sold to eligible customers who received the Customer Credit from the provider. For each product registered, providers must submit the following data and data for items numbered 9-10 must be disaggregated by product and by customer class (residential, small commercial, commercial and industrial, public lighting, and agriculture) as specified in Schedule 2D: Summary of Retail Sales by Customer Class of the Annual Report:

5.6. Total eligible renewable energy (kWh) purchased (or generated) in the past year

6.7. Total renewable energy (kWh) purchased (or generated) in the past year

7.8. Total energy (kWh) purchased (or generated) in the past year

8.9. Total eligible renewable energy (KWh)funds (\$) received sold to eligible consumers in the past year per customer class

9.10. Total renewable funds (\$) paid to each customer class in the past year

10.11. Total number of customers in each customer class

Like providers, wholesalers must submit summary information on each product registered. An independent third party auditor-Certified Public Accountant must verifyattest that the wholesaler bought and sold the claimed kWh, or brokered the claimed kWh once and only once. For each product, wholesalers must submit the following data:

1. Total eligible renewable energy (kWh) bought and sold or brokered in the past year

2. Total renewable energy (kWh) bought and sold or brokered in the past year

3. Total energy (kWh) bought and sold or brokered in the past year

4. The amount of energy sold or brokered to each registered renewable provider in the past year

If the Energy Commission determines that energy providers should submit further information, all providers will be informed in a timely fashion.